

## Ferreira, James

**From:** Spencer, Steve [Steve.Spencer@dep.state.fl.us]  
**Sent:** Tuesday, May 28, 2013 12:12 PM  
**To:** Ferreira, James  
**Cc:** Garrett, Ed  
**Subject:** RE: UIC Wells

James,

See below...

Company Name	State Permit #:	Well Name:	Financial Assurance
Dan A. Hughes Company, LP	1354	Collier 22-5 SWDW	Listed on a \$1 Million blanket bond
Quantum Energy (QRM)	1320	McDavid Land's et al. #7-9	Mineral Trust Fund
Quantum Energy	558	C.D. Helms et al #5-4	Mineral Trust Fund
Quantum Energy	1314H	McDavid Land's et al. #37-5	Mineral Trust Fund
Quantum Energy	434	St. Regis #1B	Mineral Trust Fund

To join in the Mineral Trust Fund the operator (Quantum) must pay an annual fee, which is currently \$60677.00. It is to be adjusted upwards based on the Consumer Price Index on July 1, 2013 (Ref: 62C-26.002, F.A.C.). The Dan Hughes Company is using a bond company to comply with our financial assurance rules. There are currently four wells on that bond. We can, if necessary, use the entire bond to take corrective actions.

### CHAPTER 62C-26

#### CONSERVATION OF OIL AND GAS: PERMITTING

- 62C-26.002 Performance Bonds and Securities
- 62C-26.003 Drilling Applications
- 62C-26.004 Well Spacing and Drilling Units
- 62C-26.007 Geophysical Applications
- 62C-26.008 Operating Applications

##### **62C-26.002 Performance Bonds and Securities.**

(1) Before a permit to conduct geophysical operations (see Rule 62C-26.007, F.A.C.), or to construct any oil or gas related well is granted, the owner or operator shall post a bond (Form 2 or 2A) or other form of approved security (see subsection 62C-26.002(5), F.A.C.), with the Department. This security shall be made payable to the State of Florida, executed by the owner or operator as principal, and by a surety approved by the General Counsel of the Department, conditioned upon the owner or operator complying with all safety and environmental requirements of the Department and with the laws of the State of Florida.

(2) The amount of the security for each well shall vary in accordance with the table below and shall cover attendant facilities integral with the well and necessary for its production, including flowlines, tank batteries, and treating facilities. Should the well become a producer or class II well, a replacement security must be submitted to cover the well and its attendant facilities for its useful life. The total amount of coverage for each such well shall be twice the amount cited in the table below.

WELL DEPTH (FEET)	SECURITY REQUIRED
0 – 9,000	\$ 50,000
9,001 or more	\$100,000

(3) In lieu of furnishing a separate security for each particular well, an owner or operator may file with the Department a blanket bond for multiple operations within the State in the amount of \$1,000,000. Each blanket bond may cover up to ten wells.

(4) The Department reserves the right to require a larger or separate bond or security in addition to the single well or blanket bond or security for a particular well or wells where the circumstances indicate that the standard condition and amount would not be sufficient to cover a reasonable estimate of potential liability for damages to persons or property.

(5) In addition to bonds, surety may also be provided to the Department in any of the following ways:

(a) By depositing cash or other securities in the Department of Environmental Protection Petroleum Trust Account. Such cash or securities shall be held at interest by the Comptroller to satisfy safety and environmental performance provisions of this section. The interest shall be credited to the Petroleum Exploration and Production Bond Trust Fund. Such cash or other securities shall be released by the Comptroller upon request of the applicant and certification by the Department that all safety and environmental performance provisions established by the Department for permitted activities have been fulfilled;

(b) By providing for a single well or geophysical permit a surety in the form of an irrevocable letter of credit guaranteed by an acceptable financial institution;

(c) By paying an annual fee to the Petroleum Exploration and Production Bond Trust Fund. For those choosing this option the following shall apply:

1. For the first year, or part of a year, of a geophysical or well construction permit, or upon the change of operator, the fee is ~~\$4,000~~ **\$8090.00** per application.

2. For each subsequent year, or part of a year, the fee is ~~\$1,500~~ **\$3034.00** per existing well or permit.

3. The maximum fee that an applicant or permittee may be required to pay into the trust fund for surety coverage is ~~\$30,000~~ **\$60677.00** per calendar year, regardless of the number of existing wells, permits, or applications for permits.

4. The Department shall, beginning July 1, 1993, biennially adjust these fees for inflation in accordance with the Construction Cost Index published by the Engineering News Record.

(6) The Department shall notify and give the permittee no less than 14 days to begin corrective action before escheating the security to rectify a major permit violation. Should the permittee not respond within 14 days or immediately upon notice if an emergency situation exists (e.g., blowout, flowline rupture), the Department shall take immediate remedial or corrective action without further notice. The permittee shall reimburse the trust fund for all reasonable sums expended from the trust fund for the purposes of responding to and taking any necessary remedial actions to correct said emergency.

(7) Upon written request of the operator, the Department shall release a security after all permit conditions have been satisfied by the operator and verified by the Department.

*Specific Authority 377.22 FS. Law Implemented 377.22, 377.2425, 377.244 FS. History--New 11-26-81, Formerly 16C-26.02, Amended 6-4-89, 5-12-93, Formerly 16C-26.002, Amended 3-24-96.*

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Oil and Gas Program  
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**From:** Ferreira, James [mailto:Ferreira.James@epa.gov]

**Sent:** Tuesday, May 28, 2013 11:34 AM

**To:** Spencer, Steve

**Subject:** UIC Wells

Steve,